

POWER GREENHOUSES INC.

Financial Statements

Year Ended December 31, 2002

POWER GREENHOUSES INC.

Index to Financial Statements

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Year Ended December 31, 2002

	Page
AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Balance Sheet	2
Statement of Operations and Retained Earnings	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 6

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AUDITORS' REPORT

To the Shareholder of Power Greenhouses Inc.

We have audited the balance sheet of Power Greenhouses Inc. as at December 31, 2002 and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Matchett, Potts & Seipp

Estevan, Saskatchewan
January 17, 2003

CHARTERED ACCOUNTANTS

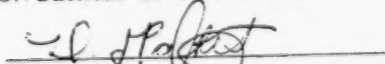
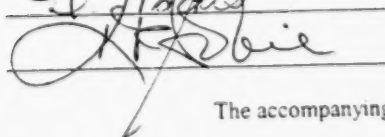
POWER GREENHOUSES INC.

Balance Sheet

December 31, 2002

	2002	2001
ASSETS		
CURRENT		
Cash	\$ 22,856	\$ 11,181
Inventory	17,328	23,589
	<u>40,184</u>	<u>34,770</u>
CAPITAL ASSETS (Note 3)	<u>3,807,500</u>	<u>3,824,991</u>
	<u>\$ 3,847,684</u>	<u>\$ 3,859,761</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT		
Accounts payable	\$ 35,007	\$ 52,621
PAYABLE TO SHAREHOLDER (Note 4)	<u>3,812,667</u>	<u>3,807,130</u>
	<u>3,847,674</u>	<u>3,859,751</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	10	10
Retained earnings	<u>-</u>	<u>-</u>
	<u>\$ 3,847,684</u>	<u>\$ 3,859,761</u>

ON BEHALF OF THE BOARD

 Director
 Director

The accompanying notes form an integral part of this financial statement.

POWER GREENHOUSES INC.
Statement of Operations and Retained Earnings
Year Ended December 31, 2002

	2002	2001
INCOME		
Contract revenue earned	\$ 742,375	\$ 661,168
EXPENSES		
Advertising and communication	34,474	50,236
Amortization	140,699	134,216
Board indemnity	8,095	6,944
Contract labour	49,209	48,153
Materials and supplies	44,114	40,710
Miscellaneous	2,735	2,344
Office	6,743	2,053
Professional fees	4,016	4,698
Shipping	5,794	5,582
Telephone	7,736	5,943
Travel and training	20,334	20,644
Vehicle and equipment costs	38,436	28,201
Wages and employee benefits	379,990	311,444
	<u>742,375</u>	<u>661,168</u>
NET INCOME	-	-
RETAINED EARNINGS - BEGINNING OF YEAR	-	-
RETAINED EARNINGS - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes form an integral part of this financial statement.

POWER GREENHOUSES INC.**Statement of Cash Flows****Year Ended December 31, 2002**

	2002	2001
OPERATING ACTIVITIES		
Net income for the year	\$ -	\$ -
Item not affecting cash:		
Amortization	<u>140,699</u>	<u>134,216</u>
Changes in non-cash working capital:		
Inventory	<u>6,261</u>	<u>1,608</u>
Accounts payable	<u>(17,616)</u>	<u>(6,332)</u>
	<u>(11,355)</u>	<u>(4,724)</u>
Cash flow from operating activities	<u>129,344</u>	<u>129,492</u>
INVESTING ACTIVITY		
Acquisition of capital assets	<u>(123,206)</u>	<u>(142,462)</u>
Cash flow used by investing activity	<u>(123,206)</u>	<u>(142,462)</u>
FINANCING ACTIVITY		
Increase (decrease) in payable to shareholder	<u>5,537</u>	<u>20,716</u>
Cash flow from financing activity	<u>5,537</u>	<u>20,716</u>
INCREASE IN CASH FLOW	<u>11,675</u>	<u>7,746</u>
CASH - Beginning of year	<u>11,181</u>	<u>3,435</u>
CASH - End of year	<u>\$ 22,856</u>	<u>\$ 11,181</u>

The accompanying notes form an integral part of this financial statement.



POWER GREENHOUSES INC.

Notes to Financial Statements

Year Ended December 31, 2002

1. STATUS OF THE CORPORATION

Power Greenhouses Inc. is a corporation incorporated under the Business Corporation Act of Saskatchewan. The company is a wholly owned subsidiary of Saskatchewan Power Corporation.

The mandate of the company is to operate a greenhouse to provide tree seedlings for the purpose of afforestation. The company entered into an agreement with Saskatchewan Power Corporation, its parent, whereby it operates the greenhouse and in turn Saskatchewan Power Corporation funds the company for costs incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income taxes

The company makes no provisions for income taxes as taxes are not levied on earnings of crown corporations.

Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

Capital assets

Capital assets are stated at cost. Amortization is provided on a straight line basis, at rates calculated to amortize the cost of the capital assets to their estimated salvage value, at average rates as set out below:

Buildings	2.5%	straight-line method
Equipment & furniture	14%	straight-line method

Contract revenue earned

Contract revenue earned is based on total expenses incurred during the year.

3. CAPITAL ASSETS

	Cost	Accumulated Amortization	2002 Net Book Value	2001 Net Book Value
Buildings	\$ 4,696,749	\$ 1,032,573	\$ 3,664,176	\$ 3,689,375
Equipment & furniture	295,255	151,931	143,324	135,616
	<u>\$ 4,992,004</u>	<u>\$ 1,184,504</u>	<u>\$ 3,807,500</u>	<u>\$ 3,824,991</u>

POWER GREENHOUSES INC.

Notes to Financial Statements

Year Ended December 31, 2002

4. PAYABLE TO SHAREHOLDER

	2002	2001
Total advances	\$ 9,192,510	\$ 8,444,598
Less: total expenses incurred	<u>(5,379,843)</u>	<u>(4,637,468)</u>
	<u>\$ 3,812,667</u>	<u>\$ 3,807,130</u>

Payable to shareholder is not secured, non-interest bearing with no fixed terms of repayment.

5. SHARE CAPITAL

	2002	2001
Authorized:		
Unlimited Class A		
Issued:		
10 Class A	<u>\$ 10</u>	<u>\$ 10</u>

6. RELATED PARTY TRANSACTIONS

Included in these financial statements are expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled Departments, Agencies, and Corporations with which the company was related. Account balances resulting from these transactions are included in the balance sheet and are settled on normal trade terms. The company entered into an agreement with Saskatchewan Power Corporation, its parent, whereby it operates the greenhouse and in turn Saskatchewan Power Corporation funds the company for costs incurred, which is reflected as contract revenue earned.
